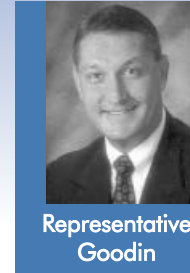


TAX SCAMS

Don't be a victim.

A note from the Internal Revenue Service and Representative Terry Goodin



Each year during tax season, certain individuals take advantage of unsuspecting citizens, involving them in tax schemes that result in lost money and possible prosecution. Remember these two rules: Anyone who promises you a bigger refund without knowing your tax situation could be misleading you; and never sign a tax return without first checking to make sure that it's honest and correct. If you suspect a tax fraud, call the IRS at 1-800-829-0433.

1. Social Security Tax Scheme
Don't fall victim to a scam offering a refund of the Social Security taxes you've paid during your lifetime. This scam charges the victim a \$100 "paperwork" fee to file a refund claim with the IRS. The perpetrator keeps this filing fee and the victim receives no refund, because the law does not allow any such refund of Social Security taxes. The IRS is alert to this hoax and has been stopping false claims.

2. African-Americans receive a special refund
Thousands of African-Americans have been misled by people offering to file for tax credits or refunds related to reparations for slavery. There is no such provision in the tax law. Promoters of reparations tax schemes have been convicted and imprisoned. Taxpayers could face up to a \$500 penalty for filing such claims if they do not back away from the claim.

3. Pay the tax, get the prize
If a caller says you've won a prize and you only need to pay the income tax due, be suspicious. If you've really won a prize, the payment goes to the IRS, not the caller. In a legitimate case, the prize giver sends you a 1099 tax form showing the total prize value that should be reported on your tax return.

4. Untax yourself for \$49.95
This is an old scheme that is now on the Internet. The ads may claim that paying taxes is voluntary, but that is incorrect and has been disproved in court. Hundreds of people have bought "untax" packages before learning that following this advice can lead to civil or criminal penalties.

5. "I can get you a big refund. . . for a fee."
Perpetrators may approach you wanting to "borrow" your Social Security Number or give you a phony W-2 so that it appears that you qualify for a large refund. The IRS usually catches these false refund claims before the money is sent, but if it does send a false refund, the participant must return the refund and pay penalty fines.

6. "I don't pay taxes, why should you?"
Con artists may claim not to pay taxes, then charge victims to learn their secret. These people do actually file and pay taxes, which they must: failure to file or pay taxes is subject to civil and/or criminal tax penalties.

7. No taxes withheld from wages
Some illegal schemes instruct employers not to withhold federal income tax or employment taxes from wages paid to their employees. These schemes are based on an incorrect interpretation of tax law and have been refuted in court.

8. Share or borrow EITC dependents

Some tax preparers “share” one client’s children with another client in order to allow both clients to claim the Earned Income Tax Credit. For example, one client with four children might only claim two, “sharing” his children with a childless client who could then also claim two, qualifying both clients for the tax credit. The IRS prosecutes the preparers of such fraudulent claims, and participating taxpayers could be subject to civil penalties.

9. IRS “Agent” comes to your home to collect

Never let anyone into your home unless they identify themselves to your satisfaction. IRS special agents, field auditors and collection officers carry picture IDs and will normally contact you before they visit. If you think the person is an impostor, lock your door and phone the police. To report IRS impostors, call the Treasury Inspector General’s Hotline at 1-800-366-4484.

10. “Put your money in a trust and never pay taxes again.”

Some scam perpetrators may charge for “trust” packages. The fee they charge enables taxpayers to have trust documents prepared, to utilize foreign and domestic trustees as offered by promoters and to use foreign bank accounts

and corporations. Although these schemes give the appearance of the separation of responsibility and control from the benefits of ownership, these schemes are in fact controlled and directed by the taxpayer. A legitimate trust is a form of ownership that completely separates responsibility and control of assets from all of the benefits of ownership.

11. Improper home-based business

This scheme seems to offer tax “relief” but is actually illegal tax avoidance. The promoters of these schemes claim that individual taxpayers can deduct most or all of their personal expenses as business expenses by setting up a bogus home-based business. However, the tax code firmly establishes that a clear business purpose and profit motive must exist in order to generate and claim allowable business expenses.

12. Claim Disabled Access Credit for pay phones

Some con artists sell expensive coin-operated pay telephones to individuals, saying that the person can claim a \$5,000 Disabled Access Credit on their tax return because the telephones have volume controls. In reality, the Disabled Access Credit is limited to bona fide businesses that are coming into compliance with the Americans with Disabilities Act.

Information provided by the Internal Revenue Service.
To learn more about tax issues, visit www.irs.gov.

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